

TOWN OF GILBERT

INTER-OFFICE MEMORANDUM

DATE: December 11, 2019

TO: Employees / Participants in the Town of Gilbert Deferred Compensation Plan

FROM: Kristen Drew, Deputy Chief People Officer

SUBJECT: DEFERRED COMPENSATION 457 PLAN VENDOR DECISION

We have been communicating to you during the past couple of months about our review and selection of a Deferred Compensation 457 provider through a Request for Proposal (RFP) and finalist interview process. Our Deferred Compensation 457 Committee received eight proposals and we interviewed four finalists, Empower, Nationwide Retirement Solutions (Nationwide), VOYA and ICMA-RC, (a current vendor to our plan). The purpose of this memo is to:

- Notify you of the committee's decision,
- Summarize improvements from the current plans (VALIC (AIG), ICMA RC and Mass Mutual) that you will see in the new plan, and
- Discuss ways in which you can learn more about the changes that will occur.

COMMITTEE DECISION

The Deferred Compensation 457 Selection Committee agreed to contract with Nationwide Retirement Services, (Nationwide), as the Town's sole Deferred Compensation Plan provider. Of the four finalists, Nationwide offered the strongest proposal in the critical areas we have been reviewing, including:

1. On-Site Service

This is a critical category as both participants in the plan and those not participating will have the availability of professional and federally registered support. This support will be helpful to learn the benefits of the Deferred Compensation Plan and how you can utilize the features to best accomplish your retirement objectives. The education provided by the Nationwide representatives will be beneficial throughout the different phases of your career; beginning, mid-career, near retirement and during retirement.

2. **Fees and charges** for mutual funds and administration will be significantly reduced. There is a significant reduction in the mutual fund expense that is a critical calculation in the net growth return credited to participants.

The average mutual fund expense for the Town's current mutual fund portfolios with:

ICMA-RC is 1.31%,
Mass Mutual is 1.24% and
VALIC (AIG) is 1.68%

The average expense for the new mutual fund portfolio with Nationwide is 0.46%.

The total expense will be significantly lower than the expense charged by the three current vendors.

Improvements

We are pleased with significant improvements offered by Nationwide. These include:

- The plan will offer a new low cost best in class investment menu, selected by an independent third party investment advisor, Innovest Portfolio Solutions LLC.
- Nationwide will offer investment guidance and advice services to all participants.
- Nationwide will provide **on-site services for a total of 36 days per year**. This will include both group and individual meetings.
- In addition to providing counseling on 457 Deferred Compensation, Nationwide will also provide financial planning services to participants.
- Bilingual services will also be provided.
- Nationwide will conduct annual web-based and hard copy surveys of participants to allow the Town to evaluate how well Nationwide is performing its educational and customer service responsibilities.
- Nationwide will assume management of Unforeseeable Emergency process to assure they conform to legislative and regulatory requirements and will also maintain the Town's Plan Document to assure that it also remains in compliance with Federal and State regulations. Additionally, Nationwide will manage the Town's loans, catch-up programs and Domestic Relation Order administration. These additional services will be at no cost to participants.
- During the transition from the current providers to Nationwide, numerous educational and informational sessions will be available to employees and retirees to review the specific investment fund strategies and provide one-on-one on-site counseling to any individual who is seeking additional information on how changes will impact them and what strategies they can consider to maximize the benefits of this transition.

The transition process will feature numerous employee and retiree on-site informational sessions as well as printed material that will discuss in greater detail the specific improvements that will occur and what actions you will be asked to take. We estimate that the transition to the new plan will occur on or about April/May of 2020.

Additional Information about Improvements

A new feature will be introduced, Self-Directed Brokerage Accounts, SDBA. As long as a \$10,000 minimum balance is retained in the core 457 account, participants may invest outside the plan investments to individual stocks, bonds and mutual funds through SCHWAB. **The Town of Gilbert will not be reviewing or analyzing investments or have any fiduciary responsibility for those individual investments that you select from the extensive SCHWAB menu. The Town will review on a regular basis those investments in the 457 core portfolio.**

Informational / educational sessions will be scheduled by Nationwide representatives to answer specific questions about how this change could impact each of you individually.

We are genuinely very excited about the significant enhancements we have achieved through this process and are pleased with the many new features, lower cost and stronger investment options that will be offered to plan participants. If you have any questions for us you may contact the committee decision makers. They are:

COMMITTEE MEMBERS:

- Leah Hubbard, Deputy Town Manager
- Chris Payne, Town Attorney

- Hakon Johanson, Finance & Management Services Director
- Hondo Judd, Environmental Compliance Manager
- Michael Burkhart, Fire Captain
- Ray Savoie, Police Sergeant
- Donna Pedrera, Senior Benefits Analyst
- Kristen Drew, Deputy Chief People Officer
- Gordon Tewell, Principal, Innovest (Non-Scoring Technical Advisor)
- Chuck Sklader, Arizona Client Service Manager, Innovest (Non-Scoring Technical Advisor)
- Douglas Boyer, Purchasing Administrator (Non-Scoring Technical Advisor)
- Ernestine Tesarek, Contract Analyst (Non-Scoring Technical Advisor)

We will continue to update you as the transition progresses.